

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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| In the matter of the application of           | ) |                    |
| <b>WISCONSIN ELECTRIC POWER COMPANY</b>       | ) |                    |
| d/b/a We Energies and <b>UPPER MICHIGAN</b>   | ) |                    |
| <b>ENERGY RESOURCES CORPORATION</b> for a     | ) | Case No. U-17912-R |
| power supply cost recovery reconciliation for | ) |                    |
| the 12-month period ended December 31, 2016.  | ) |                    |
| _____   | ) |                    |

At the October 25, 2017 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman  
Hon. Norman J. Saari, Commissioner  
Hon. Rachael A. Eubanks, Commissioner

**ORDER APPROVING SETTLEMENT AGREEMENT**

On March 31, 2017, Wisconsin Electric Power Company d/b/a We Energies (WEPCo) and Upper Michigan Energy Resources Corporation (UMERC) filed an application, with supporting testimony and exhibits, seeking authority to reconcile its power supply cost recovery (PSCR) costs and revenues for the 12-month period ended December 31, 2016, and to true-up the results of its 2015 PSCR reconciliation.

UMERC was established as a Michigan regulated utility providing service to electric and natural gas customers in the Upper Peninsula of Michigan. On January 1, 2017, WEPCo transferred all of its Michigan jurisdictional distribution substations, distribution lines, and other distribution assets used in providing retail electric service in Michigan, as well as its Michigan retail full requirements customers and retail access service customers to UMERC, except for one

customer, Tilden Mining Company L.C. (Tilden).<sup>1</sup> As of January 1, 2017, UMERC serves approximately 36,500 full requirements electric customers, as well as distribution-only electric customers who qualify for retail access service. UMERC also provides retail natural gas service to approximately 5,300 full requirements customers, and natural gas transportation service to qualifying transportation customers.

The settlement agreement approved by the Commission in its December 9, 2016 order in Case No. U-18061 provided that for WEPCo's 2016 PSCR reconciliation, UMERC and WEPCo would file a reconciliation of 2016 PSCR costs and revenues, and the 2016 over or underrecovery representing either a regulatory liability or asset, would be allocated between the WEPCo non-mine load that will be served by UMERC, and the Mines' load, on a proportional megawatt per hour basis.

A prehearing conference was held on June 1, 2017, before Administrative Law Judge Martin D. Snider. WEPCo, Tilden, and the Commission Staff participated in the proceedings. Subsequently, the parties submitted a settlement agreement resolving all issues in the case.

The Commission has reviewed the settlement agreement, and finds that the public interest is adequately represented by the parties who entered into the settlement agreement. The Commission

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<sup>1</sup> The settlement agreement in Case No. U-18061 states that WEPCo will continue to serve Tilden and Empire Iron Mining Partnership (Empire) (collectively, the Mines) until termination of both of the 2015-2019 Large Curtailable Special Contracts between WEPCo and the Mines that were approved by the Commission's April 23, 2015 order in Case No. U-17862 (Mines' Special Contracts), at which time the Mines would be transferred as customers of UMERC. In a signed letter appended as Attachment B to WEPCo's September 1, 2016, Application Requesting Approval of Amendment in Case No. U-17862, WEPCo and Empire agreed that Empire's special contract would terminate no later than October 15, 2016. The Commission approved the termination letter in its December 9, 2016 order in Case No. U-17862. As a result, for the twelve months of 2016, WEPCo's only PSCR customer was Tilden.

further finds that the settlement agreement is in the public interest, represents a fair and reasonable resolution of the proceeding, and should be approved.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. The reconciliation of Wisconsin Electric Power Company's power supply costs and revenues results in a 2016 net over-recovery of \$538,258, and Wisconsin Electric Power Company's 2015 reconciliation resulted in an underrecovery amount (including interest during the 2015 plan year) of \$4,324, resulting in a net overrecovery of \$533,934 as of December 31, 2016. Wisconsin Electric Power Company's portion of the total overrecovered amount, including interest, is \$410,829 and should be rolled into its 2017 power supply cost recovery reconciliation case. Upper Michigan Energy Resources Corporation's portion of the total overrecovered amount, including interest, is \$123,105 and should be allocated to Upper Michigan Energy Resources Corporation's Wisconsin Electric Power Company Rate Zone and rolled into the Upper Michigan Energy Resources Corporation's 2017 PSCR reconciliation case for the Wisconsin Electric Power Company Rate Zone.

C. Wisconsin Electric Power Company is authorized to recover a portion of the 2008 PA 295 renewable energy costs at the transfer prices approved in the October 11, 2012 order in Case No. U-16367, the February 12, 2015 order in Case No. U-17562, and the February 11, 2016 order in Case No. U-17798 as stated in Exhibit A.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel.

Electronic notifications should be sent to the Executive Secretary at [mpscedockets@michigan.gov](mailto:mpscedockets@michigan.gov) and to the Michigan Department of the Attorney General - Public Service Division at [pungpl@michigan.gov](mailto:pungpl@michigan.gov). In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

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Sally A. Talberg, Chairman

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Norman J. Saari, Commissioner

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Rachael A. Eubanks, Commissioner

By its action of October 25, 2017.

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Kavita Kale, Executive Secretary

**STATE OF MICHIGAN**  
**BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

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| In the matter of the application of                 | ) |                    |
| <b>WISCONSIN ELECTRIC POWER COMPANY</b>             | ) |                    |
| d/b/a We Energies and <b>UPPER MICHIGAN ENERGY</b>  | ) | Case No. U-17912-R |
| <b>RESOURCES CORPORATION</b> power supply cost      | ) |                    |
| recovery reconciliation proceeding for the 12-month | ) |                    |
| <u>period ended December 31, 2016</u>               | ) |                    |

**SETTLEMENT AGREEMENT**

Pursuant to MCL 24.278 and Rule 431 of the Rules of Practice and Procedure before the Michigan Public Service Commission (“Commission”), Mich Admin Code, R 792.17431, Wisconsin Electric Power Company (“Wisconsin Electric” or “Company”), Upper Michigan Energy Resources Corporation (“UMERC”), Tilden Mining Company L.C. (“Tilden”) and the Commission Staff (“Staff”) agree as follows:

1. On March 31, 2017, Wisconsin Electric and UMERC filed with the Commission an Application, with supporting testimony and exhibits, seeking authority to reconcile Wisconsin Electric’s power supply costs with its power supply revenues for the 12-month period ended December 31, 2016 and to true-up the results of its 2015 Power Supply Cost Recovery (“PSCR”) reconciliation.

2. As stated in the Application, on January 1, 2017, pursuant to a Settlement Agreement approved by the Commission on December 9, 2016 in Case No. U-18061 (“U-18061 Settlement Agreement”), UMERC was established as a Michigan regulated utility providing service only to electric and natural gas customers in the Upper Peninsula of Michigan. On January 1, 2017, Wisconsin Electric transferred all of its Michigan jurisdictional distribution

substations, distribution lines, and other distribution assets used in providing retail electric service in Michigan, as well as its Michigan retail full requirements, customers and retail access service customers to UMERC, except for one customer, Tilden Mining Company L.C. (“Tilden”).<sup>1</sup> As of January 1, 2017, UMERC serves approximately 36,500 full requirements electric customers, as well as distribution-only electric customers who qualify for retail access service. UMERC also provides retail natural gas service to approximately 5,300 full requirements customers, and natural gas transportation service to qualifying transportation customers.

3. The U-18061 Settlement Agreement provides that “For WEPCo’s 2016 PSCR Reconciliation, UMERC and WEPCo shall file a reconciliation of 2016 WEPCo PSCR costs and revenues, and the 2016 over or under recovery representing either a regulatory liability or asset, shall be allocated between the WEPCo non-Mine load that will be served by UMERC, and the Mines’ load, on a proportional MWh basis.” Thus, while UMERC had no 2016 PSCR revenues to reconcile because it was formed in January of 2017, pursuant to the U-18061 Settlement Agreement, and because a portion of the Wisconsin Electric PSCR over-recovery for 2016 is to be allocated to Wisconsin Electric’s former customers who now receive service from UMERC in UMERC’s WEPCo Rate Zone, UMERC was included as an applicant in this proceeding.

4. Based on calculations, Wisconsin Electric determined that the 2016 PSCR reconciliation resulted in a 2016 net over-recovery of \$538,258. Wisconsin Electric’s 2015

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<sup>1</sup> The U-18061 Settlement Agreement states that WEPCo will continue to serve Tilden and Empire Iron Mining Partnership (“Empire”) (collectively, “Mines”) until termination of both of the 2015-2019 Large Curtailable Special Contracts between WEPCo and the Mines that were approved by the Commission’s April 23, 2015 Order in Case No. U-17862 (“Mines’ Special Contracts”), at which time the Mines would be transferred as customers of UMERC. In a signed letter appended as Attachment B to WEPCo’s September 1, 2016 Application Requesting Approval of Amendment in Case No. U-17862, WEPCo and Empire agreed that Empire’s special contract would terminate no later than October 15, 2016. The Commission approved the termination letter in its December 9, 2016 Order in Case No. U-17862. As a result, for the twelve months of 2016, WEPCo’s only PSCR customer was Tilden.

reconciliation resulted in an under-recovery amount (including interest during the 2015 plan year) of \$4,324. These amounts, with interest, result in an amount to be reconciled in this proceeding of an over-recovery of \$533,934.

5. On May 1, 2017, the Commission's Executive Secretary issued the Notice of Hearing. As directed by the Executive Secretary, Wisconsin Electric mailed and published the Notice throughout its former and current Michigan electric service area, and filed the requisite proofs prior to the initial prehearing conference held on June 1, 2017.

6. Administrative Law Judge ("ALJ") Martin Snider presided over the prehearing conference. Tilden's Petition to Intervene was granted, and the Staff participated in the proceeding. A full case schedule was set at the prehearing conference. Subsequently, the parties engaged in discussions leading to this settlement agreement.

7. In settlement of this proceeding, Wisconsin Electric, UMER, the Staff, and Tilden agree as follows:

a. The expenditures, as set forth in the Application and direct testimony and exhibits, for the cost of power supply were reasonably and prudently incurred for the 12-month period ended December 31, 2016; the purchase practices followed by Wisconsin Electric comport with the 2016 PSCR Plan in Case No. U-17912; and were reasonable and prudent.

b. As provided in the Commission's October 11, 2012 Order in Case No. U-16367, February 12, 2015 Order in Case No. U-17562, and February 11, 2016 Order in Case No. U-17798, that portion of Wisconsin Electric's costs of post-2008 PA 295 renewable energy ("RE") generated at the Glacier Hills Wind Farm ("Glacier Hills"), the Montfort Energy Center ("Montfort") and Rothschild Biomass Cogeneration Plant

(“Rothschild”) that was allocated to Michigan and used for 2008 PA 295 compliance in 2015, and that shall be recovered as PSCR costs in 2016 is the amount of the approved transfer price of \$80.41 per megawatt hour (“MWh”) for Glacier Hills, and \$72.02 per MWh for Montfort and Rothschild.

c. Wisconsin Electric’s reconciliation of power supply costs and revenues results in a 2016 net over-recovery of \$538,258. Wisconsin Electric’s 2015 reconciliation resulted in an under-recovery amount (including interest during the 2015 plan year) of \$4,324. These amounts, with interest, result in an amount to be reconciled in this proceeding of an over-recovery of \$533,934.

d. Wisconsin Electric’s over-recovery of \$533,934, as of December 31, 2016 should be allocated as follows: (i) Wisconsin Electric’s portion of the total over-recovered amount, including interest, is \$410,829 and should be rolled into its 2017 PSCR reconciliation case; and (ii) UMER’s portion of the total over-recovered amount, including interest, is \$123,105 and should be allocated to UMER’s WEPCo Rate Zone and rolled into the UMER 2017 PSCR reconciliation case for the WEPCo Rate Zone.

7. It is the opinion of all parties that this settlement agreement is reasonable, in the public interest and will result in the expeditious conclusion of this case.

8. This settlement agreement is intended for a final disposition of this proceeding. Each signatory agrees not to appeal, challenge or contest the Commission’s order accepting and approving this settlement agreement without modification. If the Commission does not accept the settlement agreement without modification, the agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.



9. The settlement agreement and all offers of settlement and discussions are privileged and shall not be used in any manner, nor be admissible, for any other purpose in connection with this proceeding or any other proceeding except so as to prove the contents herein. All offers of settlement and discussions relating to this settlement agreement are considered privileged under MRE 408. Neither the parties to the settlement nor the Commission shall use this settlement agreement or the order approving it, as precedent in any case or proceeding, and nothing contained herein shall be construed as, or deemed to be evidence of, any admission or concession of fault, error, or omission. This settlement agreement is entered into for the sole and express purpose of reaching compromise among the parties in the case without prejudice to their rights to take new or different positions in other proceedings or in any other jurisdiction.

10. All parties agree to waive Section 81 of the APA, as amended, MCL 24.281, as it applies to the issues in this proceeding.

WISCONSIN ELECTRIC POWER COMPANY and  
UPPER MICHIGAN ENERGY RESOURCES  
CORPORATION

Dated: October 5, 2017

By: **Michael C. Rampe**   
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MICHIGAN PUBLIC SERVICE COMMISSION STAFF



Dated: October 5, 2017

By: \_\_\_\_\_

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TILDEN MINING COMPANY L.C.

**Jennifer  
Utter Heston**

Digitally signed by  
Jennifer Utter Heston  
Date: 2017.10.05  
09:10:57 -04'00'

Dated: October 5, 2017

By: \_\_\_\_\_

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